Parking Pricing Analysis

Right Size Parking
Tools to balance supply

Summary Findings

Parking revenue alone rarely covers the true cost of providing parking in multi-family projects within King County. According to interviews with market participants, the reason developers provide parking generally has less to do with generating revenue and more to do with increasing the marketability of the residential units. Although building owners recapture as much of this cost through parking revenue as possible, a portion of the cost of providing parking is typically subsidized through unit rents. Minimum parking requirements that force developers to provide more parking than the market dictates can render projects that would otherwise get built, financially infeasible.

As shown in the analysis below, parking can have a considerable affect on the overall profitability of an apartment project; particularly those with high parking ratios. Given the significant effect that parking can have on project's profitability, from a development perspective, it is worth investigating strategies to reduce parking ratios and increase parking revenues without negatively affecting a project's marketability.

Introduction

The sensitivity analyses in Figures 1 & 2 illustrate the impact of parking revenue, parking ratios, and cost of constructing parking on the financial feasibility of a surface parked, and underground parked apartment project, respectively. The analyses target a 15% profit margin, at which point a project is considered to be financially feasible.

Surface Parking

- Increasing parking ratios decreases residential density in surface parked projects.
- Parking revenue can have a moderate affect on the profit margins of projects' with low parking ratios, and tends to increase in significance as a project's parking ratio increases.

Underground Parking

- Increasing parking ratios does not always decrease the residential density of projects' with underground parking.
- Parking revenue can have a moderate affect on the profit margins of projects' with low parking ratios, and tends to increase in significance as a project's parking ratio increases.
- The cost of constructing parking stalls can have a moderate affect on the profit margins of projects' with low parking ratios, and tends to increase in significance as a project's parking ratio increases.

Figure 1:

Surface Parked Apartment

Project Description*			
Residential Units	150	120	100
Parking Spaces	151	179	198
Parking Ratio	1.0	1.5	2.0
Revenue/ Month	**Profit Margin**		
$50	20%	18%	17%
$25	18%	15%	12%
$0	15%	11%	7%

*Avg unit size 800nrsf; Cap rate 5%; 15% target profit margin; 3 story height limit; 2.8 acre site; Avg rent $1.56nrsf; Vacancy factor 5%

Figure 2:

Underground Parked Apartment

Project Description*				
Residential Units		150	150	150
Parking Spaces		75	150	225
Levels of Parking		1.3	2.6	3.9
Parking Ratio		0.5	1.0	1.5
Rev/Month	**Cost/Stall**	**Profit Margin**		
$150		23%	19%	15%
$100		21%	15%	9%
$50		19%	11%	3%
	$20,000	24%	21%	19%
	$35,000	21%	15%	9%
	$50,000	18%	9%	0%

*Avg.unit size 640nrsf; Cap rate 5%; 15% target profit margin; 6 story height limit; 25,000sf site;Avg rent $2.20nrsf; Vacancy factor 5%